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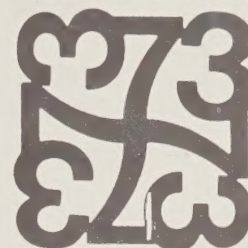
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OUTLOOK 73



Approved by the Outlook and Situation Board, September 25, 1973
Economic Research Service, U. S. Department of Agriculture

IN 1974:

LOOK FOR MORE GRAIN

Wheat and feed grain output are rising sharply this year and could make some further big gains in 1974. It's possible that 1974 wheat production will push 2 billion bushels, while a 1974 corn crop well over 6 billion bushels would contribute to a tenth more feed grains.

These possibilities, along with soybean output approaching the current level, are projected in a brand new Agriculture Department report, *Agricultural Supply and Demand Estimates* (see box).

More Corn this Season

The September 1 Crop Production Report showed that prospective corn yields improved during August, raising estimated 1973 corn production 100 million bushels, to nearly 5.8 billion.

The *Supply and Demand* report indicated that the added corn would likely wind up being split between slightly larger domestic use and a little larger carryover level in October 1974.

In light of the unparalleled interest in farm supplies next year, the new release also provides a projection of next year's corn crop and corn use. Unlike estimates for 1973/74, based in part on current survey knowledge, these projections rely on assumptions about how much farmers will plant, per-acre yields given recent trends and a normal weather range, domestic

animal feeding rates, and likely demand conditions abroad. It also assumes that farmers will have an adequate supply of farm inputs.

Much More Corn Next Year

Corn production thus might rise to 6.35 billion bushels in 1974. This assumes we harvest 4 million more acres and 3 more bushels to the acre next year. Use of this corn in 1974/75 is projected to increase for domestic feeding but back off for exports, leaving a much larger carryover in October 1975 than is expected this October or next.

These possibilities are all detailed in the table on page 2, along with supply and demand calculations for wheat, feed grains, and cotton.

Feed Prospects Brighten

Better corn and sorghum prospects during August boosted prospective 1973 production of major feed grains from 206½ to 210 million tons, somewhat easing a tight feed situation. Even so, with a smaller carryover on hand, total supplies for 1973/74 will fall short of last season's 248½ million tons.

If farmers follow current thinking and plant all out next spring, 1974 feed grain production could reach 228 million tons. This would help satisfy rising domestic needs and continued large exports, plus leave a more comfortable carryover in the fall of 1975.

NEW REPORT

The first issue of *Agricultural Supply and Demand Estimates* was released by USDA on September 17, just one week following the regular issuance of *Crop Production* based on September 1 field conditions. The purpose is to make public USDA's changing assessment of the commodity scene as rapidly as possible. This assessment is made by an interagency board of Agriculture Department experts who pool their information and understanding.

Look for future issues of *Supply and Demand* on the heels of any monthly *Crop Production Report* or quarterly *Grain Stocks Report* which contains a significant change from previous estimates.

Wheat Stocks Modest

We began the new wheat season with a carryover estimated at 428 million bushels on July 1. Although 1.73 billion bushels were harvested this year, 1.85 billion bushels are likely to be used up this season. And that would lower the carryover level next July to about 300 million bushels—less than half a year's domestic need.

Early projections of wheat production next year suggest a rise to a whopping crop of around 1.9 billion bushels, reflecting harvest of 4½ million more acres and slightly better yields. This would be enough wheat to rebuild the carryover on July 1, 1975, to around 400 million bushels.

OUTLOOK FOR CROP SUPPLIES AND DEMAND

CORN

Item (Mktg. year beginning Oct. 1)	1972/73 Preliminary	1973/74 Based on September Indications	Projected 1974/75*
<i>Million Bushels</i>			
Supply			
Beginning Stocks	1,126	775	725
Production	5,553	5,768	6,354
Imports	1	1	1
Total	6,680	6,544	7,080
Disappearance			
Domestic	4,655	4,694	5,030
Exports	1,250	1,125	1,050
Total	5,905	5,819	6,080
Ending Stocks	775	725	1,000

*These projections are rough approximations, subject to change.

WHEAT

Item	1972/73 Preliminary	1973/74 Based on September Indications	Projected 1974/75*
<i>Million Bushels</i>			
Supply			
Beginning Stocks	863	428	301
Production	1,545	1,727	1,894
Imports	1	1	1
Total	2,409	2,156	2,196
Disappearance			
Domestic	796	755	791
Exports	1,185	1,100	1,000
Total	1,981	1,855	1,791
Ending Stocks	¹ 428	301	405

¹Excludes grain in transit, the volume of which was abnormally large as of the survey date.

*Rough approximations, subject to change.

FEED GRAINS¹

(Includes Corn, Sorghum, Oats, and Barley)

Item	1972/73 Preliminary	1973/74 Based on September Indications	Projected 1974/75*
<i>Million Short Tons</i>			
Supply			
Beginning Stocks	48.4	33.8	30.7
Production	199.8	210.3	228.4
Imports	0.4	0.4	0.4
Total	248.6	244.5	259.5
Disappearance			
Domestic	171.9	174.1	182.5
Exports	42.9	39.7	36.7
Total	214.8	213.8	219.2
Ending Stocks	33.8	30.7	40.3

¹Marketing year beginning July 1 for oats and barley and October 1 for corn and sorghums.

*Rough approximations, subject to change.

UPLAND COTTON

Item	1972/73	1973/74 Based on September Indications
<i>Thousand 480-lb. Bales</i>		
Supply		
August 1 Beginning Stocks ¹	3,309	3,782
Production	² 13,567	12,853
Imports and City Crop	53	75
Total ³	16,930	16,710
Disappearance		
Mill Consumption ...	7,667	7,300
Exports	5,303	5,900
Total ³	12,970	13,200
Ending Stocks	¹ 3,782	3,510

¹Based on Census Bureau Data. ²In season ginnings. ³May not add due to rounding.

RICE SUPPLIES MAY IMPROVE

The U.S. rice crop on September 1 appeared big enough to satisfy growing demand and leave a larger reserve. But recent weather problems may have changed the picture.

Adverse spring weather set back 1973 planting nearly a month in

Texas and Louisiana, and sharply limited chances for a second crop this season. But the late-planted rice grew nicely and considerably more acreage was finally planted than last year. The indicated crop of 98½ million hundredweight on September 1 was 16 percent above 1972.

The weather wasn't through. On September 4 and 5 Tropical Storm Delia swept through partly-harvested fields in Louisiana and

Texas and hard rain fell for another week. The damage won't be quantified until release of the Crop Production Report early in October.

Old-crop rice remaining last August 1 was a paltry 5 million hundredweight, half of the preceding summer's level. Adding this to the crop as indicated on September 1 would boost likely supplies this season about 8 percent over the 97 million hundredweight of last season.

With harvest of an enormous crop, the supply and demand balance for the entire complex of soybean commodities will ease somewhat.

The cushion of old-crop beans left on September 1 was estimated at a mere 60 million bushels. Domestic mills crush this much in one month. But the new crop should be large enough to allow for expanded domestic use, bigger exports, and some rebuilding of the carryover on September 1, 1974, perhaps to around 200 million bushels. In addition, the Government has eased direct restrictions on exports and has eased price restrictions that affect processed soybean products.

Supplies Way Up

The minimal carryover means that total supplies of beans for 1973/74 are only a little larger than the 1973 crop. But with a crop currently estimated at 1.60 billion bushels, supplies will total 1.66 billion, over a fifth more than last year.

The price of 1973 crop soybeans may average over \$5 a bushel, compared with \$4.75 received for the 1972 crop. While last season's average included prices ranging from \$3.30 last October (when sales were heaviest) to \$10 this June, prices in the season ahead are starting much higher and will probably stay fairly high.

Soybean Users Benefit

The large crop will mean a domestic crush expanded by some 80 million bushels. Combined with their respective carryovers, this

SOYBEANS

BREATHE

EASIER

crush will boost oil supplies a tenth to 9 billion pounds and meal supplies over a tenth to 19 million tons.

Both domestic use and exports of soybeans and products will increase. Domestic soybean oil needs have been rising about 300 million pounds a year. Soybean meal should find a ready domestic market with an expected boost of cattle on feed next year and rising poultry production later this year and early in 1974, as well as a higher feeding rate per animal.

Export prospects are the brightest ever. With controls off, bean shipments may top the record 480 million shipped in the past season by 100 million bushels, while meal exports could rise 1½ million tons to record-high 6 million. Oil exports during 1973/74 are projected at 1.1 billion pounds, the same as the season

before. But the carryover next October 1 may double the current level of 465 million pounds.

Less Planted Next Year

Soybean acreage for the 1974 crop may fall short of the record 57 million acres planted this spring. Soybean plantings this year were boosted partly at the expense of feed grains and cotton following a wet spring. Presuming that next spring is normal, competition from these crops may lower soybean plantings to 54 million acres.

Better weather also would permit a trend increase in yields. So output in 1974 may closely rival the 1.6 billion bushels estimated this season. Coupled with the larger expected carryover, total supplies in 1974/75 may slightly exceed this season's record.

SOYBEANS

Item	1972/73 Estimate	1973/74 Based on September Indications	Projected 1974/75*
<i>Million Bushels</i>			
Supply			
Carryin, Sept. 1	72.0	65	200
Production	1,282.9	1,599	1,535
Total	1,354.9	1,664	1,735
Disappearance			
Crushings	721	800	825
Exports	480	575	625
Seed, Feed and Residual	89	89	85
Total	1,290	1,464	1,535
Carryover, Aug. 31	65	200	200

*Rough approximations, subject to change.

CHINA TRADE OUTLOOK

After a lapse of more than 20 years, we resumed trade with the People's Republic of China in 1972. By fiscal year 1973, our agricultural exports topped \$200 million. This fiscal year even larger shipments of the leading commodities are forecast. Farm products account for nearly all of our exports to China.

The United States sold China a fourth of her total grain imports in

the past fiscal year, valued at over \$100 million. We may supply 3½ to 4 million tons of the 6½ million tons China is likely to buy in fiscal 1974.

After supplying nearly 500,000 bales of cotton to China in 1972/73, shipments may rise to 755,000 bales this fiscal year. Chinese imports during this period are expected to total at least a million bales.

We shipped 33,000 tons of soybeans and 61,000 tons of soybean oil last year, but based on bookings, we may sell China over 900,000 tons of beans in 1973/74.

COTTON CROP IMPROVES

Although production prospects for cotton brightened a little during August, the crop was still pegged 6 percent under 1972's. Nearly half the crop will be used for exports, expected to reach about 6 million bales. Domestic use in the coming season will be down from recent years. Carryover stocks next summer may be a little smaller than this year. Legal restrictions prevent USDA from projecting cotton production and prices. See table, p. 2.

DAIRY'S DILEMMA

Advancing feed costs have forced milk producers to slow production even though consumers are buying more dairy products.

Milk production has been slipping. Production was off 4 percent compared with August a year before, and for all of 1973 may be down 3 percent from the 120.3 billion pounds of last year.

With sharply higher feed costs, farmers are feeding less grain with a consequent drop in output per cow—the first in years. Meanwhile, high slaughter cow prices have encouraged culling and liquidation of dairy herds, accelerating the long-term drop in U.S. cow numbers. This drop may foretell reduced milk production in 1974 as well.

As production was slipping during the first half of this year, consumers were using more milk in both fluid and dairy product form, spurred by reduced availability of competing protein foods and their higher prices.

Commercial disappearance of milk in all dairy products during January-July was up about 2½ percent from a year before. Yet increases in retail dairy product prices on the order of 5 percent during these months were more modest than for meats and poultry.

The temporary price ceilings this summer held dairy product prices in place into July. But starting in late July, removal of the ceilings coupled with the tightening milk supply situation sent prices upward. At the wholesale level, butter led the advance, rising 26 cents to about 87 cents a pound. Cheese prices were up and nonfat dry milk prices increased despite larger imports. As residual outlets for the milk supply, butter and nonfat dry milk production will continue to feel the brunt of lower milk production.

Average farm-level milk prices rose 15 percent between last August and this, to a record \$6.88 per hundredweight. Farm milk prices in coming months should continue well above year-earlier levels, bringing the 1973 average to around \$6.80 per hundredweight.

The tight milk supply will reduce USDA's dairy product purchases to around 2¼ billion pounds of milk equivalent this year, half of the 1972 amount and the least since 1966. These purchases, largely butter, were made earlier this year. Nonfat dry milk purchases have been minimal.



HOG OUTPUT STEADIES

Hog producers report plans to hold output near the levels of the last 12 months. Hog prices shot up in August because of reduced cattle marketings, but may be somewhat depressed come spring because of heavier cattle marketings.

There were about the same number of market hogs on farms in 10 Corn Belt States on September 1 as a year earlier, with weight classes suggesting little change this fall or winter from the hog kills of a year earlier.

Corn Belt producers plan little change in September-February farrowings. That means that slaughter could continue to mirror 1973 levels for spring and summer. This would spell a seasonal decline from slaughter levels of this fall and this winter.

Hog prices (barrows and gilts at 7 markets) hit \$60 per hundredweight in August following the lifting of retail ceiling prices for pork. While pork production registered its seasonal trough, beef production was choked as continued ceilings discouraged marketings.

With beef back on the counters and hog marketings rising seasonally, fall red meat supplies will bound one-fifth higher than summer. Hog prices have slipped back to \$40 and could drop to the mid-\$30's later in fall.

Winter prices may advance some, reflecting a stronger beef cattle market. Although spring prices normally rise seasonally, a lot more beef next spring could bring prices of both animals down from winter levels.

EGGS HELD IN CHECK

Egg output has been held in check all year long, but may expand next winter. Strong consumer demand and the lower supplies will hold egg prices at relatively high levels well into 1974.

Egg production during January-August was 5 percent less than a year before. Producers would have expanded egg production in 1973, but extremely unfavorable feed prices and price ceilings forced them to do the opposite.

On June 1, the U.S. laying flock was 4 percent smaller than in 1972, reflecting the cutback. In July, things got even worse. With imposition of retail price ceilings on eggs and other foods, producers could not get enough for eggs to meet spiraling feed costs. Culling increased, and by August 1 the laying flock was down 2 additional percentage points from the year-earlier level. September layer numbers, though recovering, were the smallest since 1960.

Roof Raised

With the lifting of price ceilings on July 18, allowing higher egg prices, and the current record corn and soybean crops in the making, egg production is no longer declining.

Layer flock numbers will increase in coming months but likely will not match year-earlier levels until next winter. Easing feed costs and increased profitability for eggs likely is encouraging increased hatchery activity for the coming months for flock replacements in the first half of 1974.

With the ceiling off, egg prices bounded to 80 cents a dozen wholesale in early August, then eased back a dime. But prices are due to strengthen as usual as the holiday season approaches, and strong prices will prevail until larger output is realized.